From: Barbara Cooper, Corporate Director of Growth, Environment & Transport

To: Mike Whiting, Cabinet Member for Economic Development

Subject: **Reinvestment of Growing Places Fund**

Decision No: 20/00063

Classification: Unrestricted

Future pathway: Decision by the Cabinet Member for Economic Development

Electoral Division: All

Summary: The South East Local Enterprise Partnership (SELEP) has launched a call for project proposals that will help unlock economic growth in local areas. SELEP is making £12m of Growing Places Funding (GPF) available to reinvest as capital loans across Kent, Medway, East Sussex, Essex, Thurrock and Southend.

This paper summarises the SELEP process for awarding the GPF and provides details of the Kent and Medway bids that SELEP has prioritised for investment.

Recommendations:
The Cabinet Member for Economic Development is asked to agree for Kent County Council to:

• Note the projects in Kent that the South East Local Enterprise Partnership has prioritised to receive Growing Places Funding (GPF).

• Act as the accountable body for projects within Kent County Council's geographical boundaries that receive GPF funding approval from the SELEP Accountability Board.

• Delegate to the Section 151 Officer the authority to sign on KCC's behalf a loan agreement or equivalent, where this is required to draw down funds following business case approval.

1. Introduction

1. 1. The Growing Places Fund (GPF) was established by the Government in 2011 to promote economic growth, create jobs and build houses in England. The funding was distributed to local enterprise partnerships (LEPs)[1] to allocate to local projects accordingly to investment criteria set by the LEP. GPF is a revolving capital loan scheme – with repayments reinvested in new local projects.

[1] Local Enterprise Partnerships (LEPs) are partnerships between local authority leaders, business leaders and the HE and FE sector. LEPs were set up in 2011 by the Department for Business, Innovation and Skills to help determine local economic priorities and lead economic growth and job creation within the local area.

1. 2. A total of £45.477m of GPF was originally made available to the South East Local Enterprise Partnership (SELEP)[2] by central Government for spend as capital loan. The recyclable nature of the pot has enabled a total of £54.4m to be invested across 21 projects across the South East to date.

1. 3. Repayments are now being made on these previous loans, creating the opportunity for SELEP to make further GPF loan investments. At their meeting on 12th June, the SELEP Strategic Board confirmed that £12m of GPF would be available to reinvest in new projects.

2. Interest Rate

2.1 The SELEP Strategic Board has agreed that an interest rate will be applied on future GPF loans. This will be set at 2% below the PWLB (Public Works Loan Board) maturity rate on the date when the loan agreement is signed. Under the present market conditions, this would mean a 0.1% interest rate.

2.2 The LEP Strategic Board has also agreed that there will be a penalty for late repayment. Where projects fail to meet their agreed repayment schedule, the 2% discount will be withdrawn and the interest will default back to the PWLB rate.

3. The SELEP process for awarding Growing Places Funding to new projects

3.1 The SELEP Strategic Board have set the following Growing Places Fund reinvestment criteria:

a) The minimum loan value an applicant can apply for is £250k.
b) The maximum loan value an applicant can apply for is £3.5million.
c) The application must be for a capital, not revenue, loan.
d) The capital loan should unlock economic growth, create jobs, support new learners, and/or assist housing delivery.
e) The project must align with SELEP's strategic objectives.
f) Applicants must be able to repay the loan by 31st March 2026, to allow further reinvestment in new projects after that date.
g) The project must provide value for money (i.e. the expected benefits must exceed the project costs, with a minimum Benefit Cost Ratio of 2:1).
h) The loan must comply with legal requirements for the investment of public funds.
i) The project must be deliverable and viable.
j) The project must receive support from the local SELEP federated board[3] for that area (i.e. the Kent and Medway Economic Partnership must endorse the project).

3.2 The SELEP Strategic Board agreed a three-stage process to determine which projects would be awarded a GPF capital loan:

- **Stage 1** – Each SELEP federated board advertises the loan opportunity. These federated boards then sift their area's applications using the criteria above and prioritise the projects based on their strategic fit.

- **Stage 2** – A full business case is written by the applicant, which is independently assessed by a consultancy. The SELEP Strategic Board then ranks the projects in order of priority to create a GPF project pipeline. This process selects the projects to receive GPF funding as more repayments are received.

[2] The South East Local Enterprise Partnership covers Kent, Medway, Essex, Thurrock, Southend, and East Sussex. The Leader of Kent County Council is a member of the SELEP Strategic Board, SELEP Investment Panel, and SELEP Accountability Board.

[3] The SELEP federated boards are: the Kent and Medway Economic Partnership (KMEP), Opportunity South Essex (OSE), Success Essex (SE) and Team East Sussex (TES).

- **Stage 3** – The SELEP Accountability Board formally approves the drawdown of funding.

Each of these three stages is explained in more depth below:

Stage 1 – Local Federated Boards select applications up to the value of £4.6585m

3.3 The Kent and Medway Economic Partnership (KMEP - a federated board of SELEP) distributed information on the GPF loan opportunity to Kent County Council, Medway Council, the 12 District Councils, the business community, and to the Higher Education and Further Education organisations. Information on how to apply was also displayed on the KMEP website. In response, KMEP received 18 expressions of interest, requesting a total of £32.7m in GPF loan funding.

3.4 KMEP met on 26th November 2019 to consider the applications. The Partnership considered each project in relation to the reinvestment criteria shown in paragraph 3.1, and specifically concentrated on each project's strategic fit.

3.5 SELEP stipulated that each federated board could select projects to proceed to Stage 2 that had a maximum combined GPF ask of £20m.

3.6 KMEP concluded that the following applications most closely met the SELEP reinvestment criteria and had the strongest strategic fit:

- Wine Innovation Centre – GPF ask of £600,000
- Herne Relief Road – GPF ask of £3,500,000
- The Accelerator at New Town Works – GPF ask of £2,098,125*
- Britton Farm Mall – GPF ask of £1,290,000*
- Swanley Town Centre – GPF ask of £1,490,000
- No Use Empty Commercial Phase 2 – GPF ask of £2,000,000
- Green Hydrogen Generation Facility – GPF ask of £3,470,000
- No Use Empty Residential – GPF ask of £2,500,000
- Coombe Valley – GPF ask of £1,250,000
- Hatchery at Preston Farm – GPF ask of £1,000,000.

3.7 KMEP recommended the business cases for these 10 schemes be developed further and submitted to the SELEP Strategic Board. In December 19, the promoters for the Accelerator at New Town Works and the Britton Farm Mall projects withdrew their bids from the process, leaving the remaining 8 bids for SELEP's consideration at Stage 2.

Stage 2 – SELEP Investment Panel selects the projects to receive GPF funding.

3.8 In the second stage of the process, a full business case was written by each applicant, which was independently assessed by an external consultant. This independent evaluator considered each project's technical aspects, including the project's deliverability, viability, need for intervention, expected benefits, the pace of benefit realisation, and its ability to repay.

3.9 The SELEP Strategic Board met on 12th June 2020 to consider the technical assessments from the consultant, and the views of the local federated boards that were provided in Stage 1. Having reviewed this information, the SELEP Strategic Board ranked the projects in order of priority to create a GPF project pipeline. Their decision selects the projects to receive GPF funding as more repayments are received, subject to no showstopper issues being identified by the SELEP Accountability Board in Stage 3.

3.10 The final GPF prioritised project pipeline as agreed by the SELEP Strategic Board on 12th June 2020 is as follows:

Project	Federated Area	GPF ask (£)	Cumulative total (£)
Green Hydrogen Generation Facility	KMEP	3,470,000	3,470,000
Observer Building (Phase 1)	TES	1,750,000	5,220,000
Barnhorn Green (Phase 1)	TES	1,750,000	6,970,000
Wine Innovation Centre	KMEP	600,000	7,570,000
Cockle Wharf	OSE	3,500,000	11,070,000
Herne Relief Road	KMEP	3,500,000	14,570,000
No Use Empty South Essex	OSE	1,000,000	15,570,000
No Use Empty Commercial Phase 2	KMEP	2,000,000	17,570,000
Observer Building (Phase 2)	TES	1,616,500	19,186,500
Barnhorn Green (Phase 2)	TES	1,750,000	20,936,500
No Use Empty Residential	KMEP	2,500,000	23,436,500

3.11 At their meeting on 12th June, the SELEP Strategic Board confirmed that £12m of GPF would immediately be available to reinvest in new projects, and the projects on this pipeline above had six months from GPF funding being available to progress through Stage 3. If this timeline is not adhered to by a project, the GPF notionally allocated to it will be returned to the central pot and will be re-allocated to the next project on the pipeline.

3.12 In addition to the £12m of GPF allocated immediately, SELEP expect a further £4.72m of GPF repayments to be made in 20/21, which can be allocated to the next project awaiting funding on the pipeline.

Stage 3 – The SELEP Accountability Board formally approve the drawdown of funding

3.13 At the end of stage 2, GPF is ringfenced for the schemes selected by the SELEP Strategic Board. However, a requirement of the Government's Assurance Framework is that the SELEP Accountability Board formally approves each scheme's final business case and agrees it complies with all legal and 'green book' requirements before funding is transferred from the SELEP account to the scheme promoter's account. In essence, the SELEP Accountability Board cannot re-prioritise the project order, but can remove a project from the list if a showstopper risk is identified.

3.14 At present, there is sufficient GPF available for the following two projects to proceed to the SELEP Accountability Board meeting in September 2020 for funding approval:

- Green Hydrogen Generation Facility – GPF ask of 3,470,000
- Wine Innovation Centre – GPF ask of £600,000

3.15 Work is also underway to ensure that the Herne Relief Road project can proceed to the SELEP Accountability Board meeting in February 2021 for funding approval, as it is anticipated that the £3.5m of GPF required for that project should become available in spring 2021.

3.16 It is anticipated that funding may become available during 21/22 for the two No Use Empty schemes to proceed to the board, and KCC officers will maintain a watching brief so the business cases can proceed to SELEP at the appropriate point in time.

4. Financial & Legal Implications

4.1 Kent County Council must enter into a loan agreement with SELEP (via Essex County Council which is SELEP's accountable body) for all schemes awarded GPF by SELEP within KCC's administrative boundary. The loan agreements give Kent County Council the legal and financial responsibility for ensuring the proper use and administration of the funding in accordance with the loan agreement.

4.2 Kent County Council is the project promoter for the following schemes:

- Herne Relief Road – GPF ask of £3.5m
- No Use Empty Commercial Phase 2 – GPF ask of £2m
- No Use Empty Residential – GPF ask of £2.5m

4.3 For these three schemes, Kent County Council will be responsible for the repayment of the loan to the SELEP, plus any interest charge incurred as a penalty for late payment.

4.4 Ryse Hydrogen Ltd is the promoter of the Green Hydrogen Generation Facility in Herne Bay. NIAB EMR is the promoter of the Wine Innovation Centre in East Malling. With private-sector schemes, the conditions set out in paragraph 4.1 still apply. Kent County Council will therefore need to make a back-to-back loan agreement with these companies, so they can draw down the SELEP funding.

5. Recommendations

5.1 The Cabinet Member for Economic Development is asked to agree for Kent County Council to:

- Note the projects in Kent that the South East Local Enterprise Partnership has prioritised to receive Growing Places Funding (GPF).

- Act as the accountable body for projects within Kent County Council's geographical boundaries that receive GPF funding approval from the SELEP Accountability Board.

- Delegate to the Section 151 Officer the authority to sign on KCC's behalf a loan agreement or equivalent, where this is required to draw down funds following business case approval.

6. Appendices

- Appendix A: Proposed Record of Decision
- Appendix B: Description of SELEP-endorsed GPF bids within KCC's boundary
- Appendix C: EqIA

7. Contact details

Report Author
Sarah Nurden, Kent & Medway Economic Partnership's Strategic Programme Manager
03000 416 518
Sarah.nurden@kent.gov.uk

Relevant Director:
David Smith, Director of Economic Development
03000 417176

David.Smith2@kent.gov.uk